

Sent via electronic mail

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Regulatory Policy & Advisory Bursa Malaysia Securities Berhad

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**Subject: UPP comments on the draft of the National Sustainability Reporting Framework (NSRF) in Malaysia**

Dear members of The Advisory Committee on Sustainability Reporting (ACSR),

We appreciate the opportunity to comment on the draft of the National Sustainability Reporting Framework (NSRF). We welcome the efforts of the ACSR to develop corporate sustainability disclosure standards based on the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2).

UPP is a jointly sponsored pension plan created by and for Ontario's university sector with over 40,000 members, and \$11.7 billion in assets under management. As a long-term investor, UPP seeks to invest responsibly and promote the health of the financial, social, and environmental systems on which capital markets rely in order to deliver strong, sustainable value to members today and tomorrow. UPP is growing a resilient fund to secure pension benefits for members today and for generations to come and is open to all employers and employees within Ontario's university community.

As an institutional investor we believe that sustainable returns in a long-term horizon can be achieved exclusively with comprehensive integration of sustainability and climate change risks in the investment process. UPP invests across several asset classes globally and we encourage standardized high-quality reporting of sustainability-related information.

Adhering to ISSB Standards ensures the disclosure of sustainability related information worldwide, thus, reporting entities can be held accountable for transparent disclosure. For UPP and other institutional investors globally, this means a reduction of risk and uncertainty, which in turn affects investment decision-making. UPP advocates for the adoption and enforcement of such standards in alignment with ISSB Standards and we are sharing our views, alongside other investors, on jurisdictional sustainability consultations around the world.

Limiting modifications to ISSB Standards reduces fragmentation and promotes comparability for investors but also streamlines and reduces the reporting burden for companies that may need to comply with multiple reporting requirements.

UPP is supportive of these key disclosure criteria that are included in the ISSB global baseline standard:

- Unified approach to the definition of materiality across jurisdictions.
- Reporting timeline aligned with financial statements and clear inclusion of a connection between the reported information and financial statements.
- Reporting included in general-purpose financial reporting.
- Provision of the information across governance, strategy, risk management, metrics and targets reporting dimensions.

- Reporting should include disclosures about opportunities as well as risks including all sustainability-related risks and opportunities with potential to affect the entity's cash flows, access to finance or cost of capital over the short, medium or long term.
- Industry-specific disclosures.
- Exploration of alignment with Sustainability Accounting Standards Board (SASB) standards.
- Disclosure of scopes 1, 2 and 3 in alignment with GHG Protocol and publication of financed emissions.
- Disclosure of climate-related scenario analysis, targets and transition plan.

We welcome the ACSR work on adopting ISSB standards locally and we recognize the effort to align the NSRF and IFRS S1 and IFRS S2. UPP would like to provide the following comments on the proposed draft of the Framework and emphasize the following aspects. We consider them to be essential components of the ISSB Standards but they are currently not included in the NSRF:

1. **Transition relief period scope of reported data.** While we recognize that the proposed approach would ultimately result in alignment with IFRS S1 and IFRS S2, UPP sees a potential risk to consistency of reported data between the entities' financial statements (on a company-wide basis) and their related climate-related risks and opportunities (on a subset of the reporting entity) as only information on primary business segments will be delivered. The proposed transition relief requiring climate-related disclosures initially only on principal business segments entail changes to the scope of disclosures required by ISSB Standards. This may hinder investors' ability to fully draw connections with the financial statements during the period where this relief is applied, as the climate-related information would only cover parts of the reporting entity that is reflected in the financial statements. This would also reduce the comparability between information provided by entities in Malaysia using the transition reliefs and those using the ISSB Standards in other jurisdictions.
2. **Scope 3 reporting:** UPP is encouraged to see that Scope 3 disclosure is included in NSRF. However, UPP strongly recommends maintaining mandatory scope 3 greenhouse gas (GHG) emissions disclosure for all relevant categories at all times. ISSB standards require information on Scope 3 GHG emissions to be disclosed if it is material to investors. Narrowing the requirements on Scope 3 GHG emissions to permit the disclosure of information only on the categories relating to business travel and employee commuting as a transitional provision may result in Malaysian companies providing incomplete disclosures of material Scope 3 GHG emissions. With this transitional approach, there may be material Scope 3 GHG emissions-related information in other categories in the GHG Protocol that will not be disclosed during the transitional period. This may result in the most significant part of an entity's Scope 3 GHG emissions being excluded for entities in some industries reducing comparability with disclosures being provided by entities using ISSB Standards in other jurisdictions. As evidenced by the feedback that ISSB received on its consultations for IFRS S1 and IFRS S2, information about scope 3 GHG emissions is crucial to enable investors to understand an entity's exposure to transition risk. While we recognize the complexity of this disclosure requirement UPP is calling ACSR to consider guidance on Scope 3 measurement included in IFRS S2 to avoid possible challenges potentially arising from data collection and measurement.

### Summary

UPP strongly supports the development of the National Sustainability Reporting Framework in Malaysia and the full adoption of ISSB Standards. It is critically important that jurisdictions around the world adopt a consistent and comparable global baseline of climate-related and sustainability-related financial disclosures to meet the needs of capital and financial markets. This consultation is a significant milestone in the establishment of reporting that provides the global baseline of information required by ISSB Standards in Malaysia. However, further alignment could be reached in relation to the approach towards the scope of information disclosed during the transition relief period and scope 3 GHG disclosure in the NSRF.

Do not hesitate to contact me at [brian.minns@universitypensionplan.ca](mailto:brian.minns@universitypensionplan.ca) or +1 416-417-2587 if you require any additional information.

Thank you,

Brian Minns

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